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SOUTH CAROLINA OFFICE OF REGULATORY STAFF

EXAMINATION REPORT FOR DOCKET NO. 2020-13-A

THE APPLICATION OF CHEM-NUCLEAR SYSTEMS, LLC, A SUBSIDIARY OF ENERGYSOLUTIONS COMPANY, FOR ADJUSTMENT IN THE LEVELS OF ALLOWABLE COSTS AND FOR IDENTIFICATION OF ALLOWABLE COSTS (FISCAL YEAR 2020-2021)

On September 25, 2020, Chem-Nuclear Systems, LLC (“Chem-Nuclear”) filed an application for Adjustment in the Levels of Allowable Costs for the Fiscal Year Ending June 30, 2020 and for Identification of Allowable Costs for the Fiscal Year Ending June 30, 2021, pursuant to S.C. Code Ann. § 48-46-40 (B)(4), et seq. (2008 and Supp. 2018).

Effective July 1, 2008, pursuant to S.C. Code Ann. § 48-46-40 (A)(6)(a), Chem-Nuclear can only accept waste generated within the three Atlantic Compact states: South Carolina, New Jersey and Connecticut. Additionally, since July 1, 2008, Chem-Nuclear commenced site closure (“institutional”) activities parallel to its site disposal operating (“operational”) activities. These institutional costs include site maintenance, monitoring, security, other administrative expenses and license costs, and are paid from the Barnwell Decommissioning Trust Fund and the Extended Care Maintenance Fund each year. Remaining reimbursable costs are included as operating costs in Chem-Nuclear’s application for reimbursement filed with the Public Service Commission of South Carolina (“Commission”).

The South Carolina Office of Regulatory Staff (“ORS”) completed an examination of the application and the underlying financial records of Chem-Nuclear for the operation of its regional low-level radioactive waste disposal facility located in the vicinity of Barnwell, South Carolina. Based on this examination, ORS recommended adjustments to Chem-Nuclear’s fixed costs for the fiscal year ending June 30, 2020. These adjustments were discussed with members of Chem-Nuclear’s management who agreed with the adjustments.

A comparison of the allowable reimbursable costs to the amounts authorized by the Commission in its Order No. 2020-441, dated June 30, 2020, was prepared by the ORS Audit Department. This comparison is attached herewith as Exhibit 1. As shown in Exhibit 1, ORS recommends that

Chem-Nuclear be allowed to retain, as recovery of their expenditures in operating the Barnwell Low Level Radioactive Waste Storage Facility for the fiscal year ending June 30, 2020, the following:

- \$ 3,142,621 in Fixed Costs
- \$ 625,031 in Variable Costs
- \$ 1,016,237 in Irregular Costs

In conjunction with procedures performed for the fiscal year ending June 30, 2020, ORS also examined transactions recorded by Chem-Nuclear for the period beginning July 1, 2020, extending through December 31, 2020. Based on this examination, ORS recommended adjustments to Chem-Nuclear's projected fixed and irregular costs for the fiscal year ending June 30, 2021, as listed in Exhibit 2. These adjustments were discussed with and agreed to by members of Chem-Nuclear's management.

Based on ORS's examination of Chem-Nuclear's projected variable rates, ORS agrees Chem-Nuclear's projected rates are reasonable.



Daniel F. Sullivan

Director – Audit Department

March 16, 2021

Chem-Nuclear Systems, LLC
Docket No. 2020-13-A
Operating Experience and Reimbursable Costs
For the Twelve Months Ending June 30, 2020

	Per Amended Application	Commission Order No. 2020-441	Actual Costs Over (Under) Commission Allowed
<u>Fixed Costs</u>			
Fixed Costs to which 29% operating margin is added:			
Labor, Fringe and Non-Labor	\$ 1,987,848	\$ 1,975,000	\$ 12,848
Depreciation	129,932	136,000	(6,068)
Insurance	282,662	319,853	(37,191)
Equipment Leases and Support	93,074	83,228	9,846
Corporate Allocations (G&A)	649,105	631,015	18,090
Total Margin Costs	<u>3,142,621</u>	<u>3,145,096</u>	<u>(2,475)</u>
Fixed Costs to which 29% operating margin is not added:			
Legal Support (License Appeal)	-	-	-
Total Non-margin Costs	<u>-</u>	<u>-</u>	<u>-</u>
Total Fixed Costs	<u>\$ 3,142,621</u>	<u>\$ 3,145,096</u>	<u>\$ (2,475)</u>
<u>Variable Costs</u>			
Labor and Non-Labor Costs	146,406	146,353	53
Vault Costs	<u>\$ 478,625</u>	<u>\$ 444,995</u>	<u>\$ 33,630</u>
Total Variable Costs	<u>\$ 625,031</u>	<u>\$ 591,348</u>	<u>\$ 33,683</u>

Chem-Nuclear Systems, LLC
Docket No. 2020-13-A
Operating Experience and Reimbursable Costs
For the Twelve Months Ending June 30, 2020

	Per Amended Application	Commission Order No. 2020-441	Actual Costs Over (Under) Commission Allowed
<u>Irregular Costs</u>			
Trenches Characterization and Construction			
Labor	\$ 20,399		
Non-Labor	270,620		
Total	<u>\$ 291,019</u>	<u>\$ 600,000</u>	<u>\$ (308,981)</u>
Large Component Disposal			
Labor	\$ 80,158		
Non-Labor	640,117		
Total	<u>\$ 720,275</u>	<u>\$ 656,798</u>	<u>\$ 63,477</u>
Site Maintenance			
Labor	\$ 99		
Non-Labor	-		
Total	<u>\$ 99</u>	<u>\$ -</u>	<u>\$ 99</u>
Trench Records Software			
Labor	\$ 752		
Non-Labor	-		
Total	<u>\$ 752</u>	<u>\$ 444</u>	<u>\$ 308</u>
Storm Damage Repairs and Clean-up			
Labor	\$ 177		
Non-Labor	-		
Total	<u>\$ 177</u>	<u>\$ (1,232)</u>	<u>\$ 1,409</u>
License Renewal and Appeal Costs			
Labor	\$ 21		
Non-Labor	-		
Total	<u>\$ 21</u>	<u>\$ 21</u>	<u>\$ -</u>
Site Engineering and Drawing Updates			
Labor	\$ 3,894		
Non-Labor	-		
Total	<u>\$ 3,894</u>	<u>\$ -</u>	<u>\$ 3,894</u>
Total Irregular Costs	<u>\$ 1,016,237</u>	<u>\$ 1,256,031</u>	<u>\$ (239,794)</u>

Chem-Nuclear Systems, LLC
Docket No. 2020-13-A
Proposed Fixed, Irregular and Variable Costs
For the Twelve Months Ending June 30, 2021

	Per Amended Application	Actual Through 12/31/2020	Difference
<u>Fixed Costs</u>			
Fixed Costs to which 29% operating margin is added:			
Labor, Fringe and Non-Labor	\$ 2,007,435	\$ 1,003,717	\$ 1,003,718
Depreciation	124,693	62,347	62,346
Insurance	289,729	17,056	272,673
Equipment Leases and Support	80,665	40,332	40,333
Corporate Allocations (G&A, IT)	576,000	233,146	342,854
Total Margin Costs	<u>\$ 3,078,522</u>	<u>\$ 1,356,598</u>	<u>\$ 1,721,924</u>
Fixed Costs to which 29% operating margin is not added:			
Legal Support (License Appeal)	\$ -	\$ -	\$ -
Total Non-margin Costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Fixed Costs	<u>\$ 3,078,522</u>	<u>\$ 1,356,598</u>	<u>\$ 1,721,924</u>
<u>Irregular Costs</u>			
Trench Characterization and Construction	\$ 57,624	\$ 32,624	\$ 25,000
Large Component Disposal	500,000	290,265	209,735
Site Maintenance	-	-	-
Trench Records Software	308	308	-
Storm Damage Repairs and Clean-up	51	51	-
License Renewal and Appeal Costs	-	-	-
Site Engineering and Drawing Updates	141	141	-
Equipment Repairs	19,153	153	19,000
Total Irregular Costs	<u>\$ 577,277</u>	<u>\$ 323,542</u>	<u>\$ 253,735</u>

Chem-Nuclear Systems, LLC
Docket No. 2020-13-A
Proposed Fixed, Irregular and Variable Costs
For the Twelve Months Ending June 30, 2021

	<u>Costs</u>	<u>Variable Factor</u>
<u>Variable Labor and Non-Labor Rates</u>		
Vault Purchase & Inspection	<u>\$ 184.76</u>	Per Vault
A B C Waste Disposal	<u>\$ 1,566.33</u>	Per Shipment
Slit Trench Operations	<u>\$ 44,844.35</u>	Per Offload
Customer Assistance	<u>\$ 136.80</u>	Per Shipment
Trench Records	<u>\$ 337.37</u>	Per Container
<u>Variable Material Cost Rates (Vaults)</u>		
Class A Waste	<u>\$ 43.82</u>	Per Cubic Foot
Class B Waste	<u>\$ 54.94</u>	Per Cubic Foot
Class C Waste	<u>\$ 55.84</u>	Per Cubic Foot
Slit Trench Waste	<u>\$ 188.57</u>	Per Cubic Foot